

## Message Text

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70

ACTION ARA-20

INFO OCT-01 ISO-00 AEC-11 AID-20 CEA-02 CIAE-00 CIEP-03

COME-00 DODE-00 EB-11 FPC-01 H-03 INR-11 INT-08 L-03

NSAE-00 NSC-07 OMB-01 PM-07 RSC-01 SAM-01 SCI-06

SP-03 SS-20 STR-08 TRSE-00 FRB-03 FEA-02 PA-04 PRS-01

USIA-15 DRC-01 /174 W

----- 057584

P R 312225Z JUL 74

FM AMEMBASSY QUITO

TO SECSTATE WASHDC PRIORITY 1939

INFO AMCONSUL GUAYAQUIL

C O N F I D E N T I A L QUITO 5036

E.O. 11652: GDS

TAGS: ENRG, EC

SUBJ: PETROLEUM: ADA NEGOTIATIONS WITH GOE

REF: STATE 163717

1. SUMMARY: ADA REPRESENTATIVE BASTIDAS AND LOCAL LEGAL REPRESENTATIVE DR. CARLOS JIMENEZ SALAZAR CALLED ON AMBASSADOR JULY 30 TO BRING HIM UP TO DATE ON RECENT DEVELOPMENTS ADA CASE. THEY SAID ADA HAD AGREED TAKE PART NEW BIDDING FOR ANNULLED CONCESSION ONLY ON CONDITION IT RESERVE ALL RIGHTS RELATED PREVIOUS INVESTMENT AND WORK AND THAT IT BE PAID IN CASH VALUE PREVIOUS INVESTMENT BY ANY OUTSIDE BIDDER WHO WON BID PRIOR SIGNING CONTRACT. CABINET WAS DISCUSSING BASIS NEW BIDDING THE SAME DAY. THERE IS SOME HIGH LEVEL OPPOSITION TO ADA CONDITIONS. BASTIDAS DID NOT ASK EMBASSY ASSISTANCE AT THE TIME SAYING IT WOULD BE COUNTER-PRODUCTIVE. CABINET DID NOT CONCLUDE ITS REVIEW NEW BIDDING BASIS AND WILL MEET AGAIN AUGUST 1 FOR THIS PURPOSE. END SUMMARY.

2. IN JULY 30 CALL ON AMBASSADOR, ADA REPRESENTATIVE  
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RODRIGO BASTIDAS AND LOCAL LEGAL ADVISOR JIMENEZ OUTLINED

RECENT HISTORY ANNULLED ADA CONTRACT FOR GAS EXPLORATION IN THE GULF OF GUAYAQUIL. EARLY THIS YEAR, BASTIDAS SAID, ADA GROUP AND MINISTRY NATURAL RESOURCES HAD AGREED TO NEW CONTRACT MORE FAVORABLE TO ECUADOR. OWING POLITICAL OPPOSITION TO RENEWED DIRECT DEALINGS WITH ADA, GOE LATER DECIDED, AND ON JUNE 11 INFORMED MR. BASTIDAS, THAT CONCESSION AREA WAS TO BE RE-OPENED FOR NEW BIDS. ADA AGREED TO BID ON CONDITION ALL ITS RIGHTS RELATED TO PREVIOUS INVESTMENT AND FORMER WORK BE RESERVED AND THAT IF COMPANY OUTSIDE ADA GROUP WON BID, IT WOULD PAY ADA APPROXIMATELY \$26 MILLION IN CASH FOR ALL ITS INVESTMENTS AND ASSETS IN ECUADOR IN ADVANCE OF SIGNED CONTRACT WITH GOE.

3. MINISTER OF NATURAL RESOURCES JARRIN AND CEPE OFFICIALS, ACCORDING TO BASTIDAS, HAD ACCEPTED THESE ADA RESERVATIONS AS LEGITIMATE. HOWEVER, BASTIDAS AND JIMENEZ SAID THREE OPPONENTS TO ADA RESERVATIONS WERE MINISTER OF GOVERNMENT POVEDA, FINMIN MONCAYO AND ATTORNEY GENERAL OF NATION KAROLYS. ONE REASON FOR OPPOSITION THAT BASTIDAS HAS HEARD IS THAT CONDITION ON PRIOR DEPOSIT OF FUNDS IN THE U.S. WOULD BE "DAMAGING TO ECUADOR'S DIGNITY."

4. THE NEW ADA CONTRACT AGREED TO EARLIER IN YEAR BUT NOT SIGNED GAVE CEPE 25 PERCENT PARTICIPATION AND INCREASED GOE TAKE FROM PRODUCTION. MANY OF ELEMENTS OF THIS UNSIGNED CONTRACT FORM BASIS FOR NEW BIDDING AS PRESENTED TO CABINET JULY 30.

5. IN EVENT ISSUE TURNS AGAINST ADA IT HAS ONE IMPORTANT CARD LEFT TO PLAY AND THAT IS ITS OWNERSHIP OF TECHNICAL STUDIES WHICH WOULD BE INDISPENSABLE TO ANY OUTSIDE BIDDER. ADA ALSO IN POSITION TO TIE UP LEGALLY ANY OUTSIDE WINNING BIDDER TO THOSE RESERVED RIGHTS TO THE CONCESSION. BASTIDAS DID NOT ASK FOR ANY ACTION NOW BY THE DEPARTMENT OF STATE OR EMBASSY SAYING IT COULD WELL BE COUNTER-PRODUCTIVE.

6. QUITO PRESS JULY 31 REPORTS THAT CABINET DID NOT MAKE FINAL APPROVAL OF BSIS FOR NEW BIDDING AS PRESENTED BY CEPE. AFTER FURTHER STUDY BY COMMISSION TO INCLUDE CEPE  
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DIRECTORS, MINISTER OF GOVERNMENT AND FOREIGN MINISTER, ON POINTS OF OPPOSITION TO NEW BIDDING PROPOSAL, CABINET IS TO MEET AUGUST 1 TO MAKE "FINAL APPROVAL."

7. COMMENT: IT IS UNFORTUNATE THAT MINISTER OF GOVERNMENT WHO IS KNOWN TO BE IN OPPOSITION TO ADA RESERVATIONS IS ON THIS COMMITTEE. HE WAS NAMED BECAUSE IN CABINET HE IS "CHIEF OF INTERNAL AFFAIRS" IN SAME WAY THAT FONMIN IS

"CHIEF OF EXTERNAL AFFAIRS." BECAUSE OF LONG HISTORY OF  
STUDY AND RE-STUDY OF THIS CASE, IT IS QUITE POSSIBLE CABINET  
WILL NOT MAKE A DETERMINATION THIS WEEK.  
BREWSTER

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** PETROLEUM INDUSTRY, NEGOTIATIONS, FOREIGN INVESTMENTS, CONTRACTS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 31 JUL 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** boyleja  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
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**Previous Handling Restrictions:** n/a  
**Reference:** STATE 163717  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** boyleja  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 13 SEP 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <13 SEP 2002 by cunninfx>; APPROVED <20 FEB 2003 by boyleja>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
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**Subject:** PETROLEUM: ADA NEGOTIATIONS WITH GOE  
**TAGS:** ENRG, EC, ADA  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005